

# MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

## DIVISION OF CREDIT UNIONS

### NEWSLETTER

Volume 1, Number 9 November 8, 1999

#### CREDIT UNION COMMISSION MEETS

##### **October 13, 1999 conference call**

The Credit Union Commission met by telephone conference call on October 13, 1999. Commission members John Hanneke, Bill Humpfer, Sharon Ichord, Lori Levine, Cathy Stroud and Pat Yokley; Becky Kilpatrick from the Department of Economic Development, Christie Kincannon from the Attorney General's Office, and John P. Smith, Rob Berry and Maribeth Neidert from the Division of Credit Unions participated in the conference call.

The Commission reviewed proposed rules, made changes, and adopted a final order of rule making for each rule. (To review the rules before these changes, go to *Commission FOM Rules* on the Division of Credit Union's WEB site <http://www.ecodev.state.mo.us/cu/>)

##### **4 CSR 105-1.010 General Organization**

Adopted the rule without change.

##### **4 CSR 105-2.010 Rules of Procedure**

Adopted the rule with the revision that costs of an appeal can be assessed to a party determined by the Commission rather than the prevailing party.

##### **4 CSR 103-3.010 Definitions**

Adopted the rule with changes,

1. Struck "Metropolitan statistical area" from the definition of neighborhood
2. Deleted the phrase "and interact with one another" so that the section now reads: "*Well defined local neighborhood, community or rural district*" is defined as a city, township, county, telephone area code, zip code, or other geographical areas with clearly defined boundaries, and/or an area which includes persons who have common interests.
3. Inserted the word "first" before the word "cousin" so that the section now reads: "*Immediate family*" is defined as spouse, child, sibling, parent, grandparent, grandchild, aunt,

*uncle, niece, nephew, first cousin or legal guardian and includes step, in-law, and legally adoptive relationships.*

##### **4 CSR 105-3.020 Criteria for Additional Membership Groups**

Inserted the phrase "including but not limited to areas of concern identified in the most recent supervisory examination report, or regulatory concerns that may exist" so that the section now reads: *The credit union is operating in a safe and sound manner and is making satisfactory progress in addressing any adverse conditions, including but not limited to areas of concern identified in the most recent supervisory examination report, or other regulatory concern that may exist.*

##### **4 CSR 105-3.030 Economic Advisability**

The Commission removed the "on-site" investigation requirement for an applicant for a new credit union charter. The Division of Credit Unions must still conduct an investigation, but it need not be on-site.

The rules were filed with the General Assembly's Joint Committee on Administrative Rules (JCAR) on October 15<sup>th</sup> and will be filed with the Secretary of State on November 15<sup>th</sup>. The rules will be published in the December 31st edition of the Missouri Register. Following this timetable, the final rules will become effective on January 30, 2000. The Emergency Rules now in effect expire on January 7, 2000.

##### **November 4<sup>th</sup> regular meeting**

The Credit Union Commission held their regular quarterly meeting on November 4<sup>th</sup>. Present were Commission members John Hanneke, Bill Humpfer, Sharon Ichord, Lori Levine, Cathy Stroud and Pat Yokley; Becky Kilpatrick from the Department of Economic Development, Christie Kincannon from the Attorney General's Office, and John P. Smith, Rob Berry and Maribeth Neidert from the Division of Credit Unions. Also present

were representatives from the Missouri Credit Union System, the Missouri Bankers Association (MBA), the Missouri Savings and Loan Association and the lobbyist for Mercantile Bank.

A representative of the MBA presented objections to the Commission's rules defining "local neighborhood, community or rural district" and "immediate family". He indicated that he did not believe that the definitions were consistent with the intent of the statute. After discussing the objections, the Commission decided not to make any changes in the rules adopted at their October 13<sup>th</sup> meeting.

The Commission received progress reports from the Director, Division of Credit Unions on proposed rules, possible proposed legislation and field of membership expansion applications. Attorneys from the Department of Economic Development and the Attorney Generals Office made presentations concerning conflict of interest and confidentiality statutes, as they relate to the Commission.

After discussing implementation of RSMo 370.081(2), the Commission decided to form a committee to develop criteria for use by the Commission when considering exemptions from the limitations on adding new groups. The Committee will meet on November 19<sup>th</sup> in Jefferson City at the Workforce Development office, 2033 St. Mary's Blvd. The Commission will hold a conference call, at a date to be determined, to consider the Committee's recommendations.

The Commission also adopted a proposed amendment to 4 CSR 100-2.190, Special Shares and Thrift Accounts. This proposal is expected to be published in the December 15, 1999 edition of the Missouri Register.

The Commission's next quarterly meeting is scheduled for 10:30 AM, February 3, 2000.

## Y2K YEAREND PROCEDURES

Credit unions have expended considerable effort, time, and money to ensure a seamless transition into the new millennium. We believe these efforts to be highly successful. We will be monitoring credit unions as the rollover date occurs. At least two contacts will be made by the Division with

each credit union between now and January 7, 2000. The purpose of these contacts is to:

- ◆ inform the credit union of their assigned examiner
- ◆ obtain the last date the credit union will be open in 1999 and personnel to be contacted with their phone number
- ◆ determine the credit union has ordered/received it's anticipated cash needs
- ◆ determine results of credit union testing over the rollover weekend

Although the credit union's primary contact is the examiner assigned, the Division of Credit Unions office in Jefferson City will be staffed from December 29<sup>th</sup> through January 7<sup>th</sup> and can be contacted at (573) 751-3419.

## CAMEL DISCLOSURE

In 2000, the Division of Credit Unions will be releasing to credit union officials the risk rating system more commonly known as CAMEL. This system rates on a 1 – 5 scale capital adequacy, asset quality, management fitness, earnings sufficiency and liquidity/funds management. The Division's rationale for disclosing the CAMEL rating include:

- ◆ providing an accurate and consistent assessment of a credit union's condition
- ◆ giving an additional tool for officials to measure performance
- ◆ improvement of examiner skills by focusing written and oral presentation toward support of the rating.
- ◆ provide an incentive for credit union to improve their performance and thus their rating
- ◆ alignment of the Division with our peers and other financial regulators.

Credit union officials should understand the reason for the rating is important and not the number!

John P. Smith, Director